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FISCAL IMPACT STATEMENT

LS 6556

BILL NUMBER: HB 1486

NOTE PREPARED: Mar 12, 2007

BILL AMENDED:

SUBJECT: Energy Audit of State Property.

FIRST AUTHOR: Rep. Thomas

FIRST SPONSOR: Sen. Bray

BILL STATUS: As Passed House

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill requires the Department of Administration (IDOA) to conduct an energy audit of all property that is under the IDOA's control. The bill also requires the IDOA to work with the Office of the Lieutenant Governor to establish guidelines for the audit and to submit the audit to the Legislative Council before October 1, 2008.

Effective Date: Upon passage.

Explanation of State Expenditures: (Revised) This bill will cause an indeterminable increase in expenditures for the Department of Administration and the Office of the Lieutenant Governor (LG). It is estimated that requiring an energy audit of all property owned or leased by the state, and operated and maintained by the IDOA, could result in a significant increase in state expenditures. Although, the costs incurred in conducting this energy audit may be offset by future savings realized by implementation of any of the energy savings recommendations contained in the audit. The bill does not require implementation of any recommendations contained in the energy audit.

The bill requires these two governmental entities to work together to conduct an energy audit of all property under the control of the IDOA. The amount of the increase in expenditures is currently indeterminable and will ultimately depend upon the administrative actions of the LG and IDOA. It must be noted that the bill also requires a report on this audit to be made to the Legislative Council before October 1, 2008.

The bill requires that this energy audit include a study of:

- (1) The efficiency of equipment.
- (2) The use of energy for heating, ventilation, and air conditioning.

- (3) The use of energy for lighting.
- (4) Maintenance procedures.
- (5) The cost of alternate sources of energy for any energy used.

The bill also requires that the recommendations from the IDOA include:

- (1) recommendations on ways to conserve energy;
- (2) estimates on the time necessary for implementing any recommended changes; and
- (3) projected costs of any capital improvements necessary to reduce energy use.

Background: According to the IDOA, there is no current inventory available listing the number of facilities or properties affected by this bill. Therefore, a comprehensive analysis is not feasible at this time. IDOA has estimated that there are approximately 4.4 million square feet of space in the buildings making up what is commonly referred to as the state capitol campus. The buildings included in this estimate are the State House, the State Library, the Indiana Government Center North and South buildings, and the parking garages. Based on information from industry sources, the cost for an energy audit of these facilities could be contracted at a price between \$0.12 and \$0.33 per square foot. The cost for performing an energy audit on only the state capitol campus could range from \$500,000 to \$1.5 M.

Please note, the contract price could vary depending on several factors including:

- (1) the number of contracts needed to complete an audit of all of the properties included in this bill;
- (2) the contract considerations involved with more complex energy systems at the various buildings and complexes throughout the state;
- (3) time constraints in attempting to complete an audit by October 1, 2008, as provided in the bill;
- (4) the possibility of offsetting costs in contracting for the implementation of recommendations contained in the audit for energy efficiency measures; and
- (5) any energy cost savings guarantees that may be contracted for in the negotiations of the audit.

The IDOA, to date, has administered two energy audits on the Indiana Government Center. The audits were not comprehensive, and involved only an analysis of the air conditioning systems at the North and South buildings. The total cost to perform these two audits was just over \$63,000, which equals a cost of approximately \$0.03 per square foot for the almost 2 million square feet contained in those two buildings.

Under current law, IDOA has the authority to administer energy cost savings contracts (IC 4-13.6-8). These contracts involve energy audit costs as well as the cost of implementing the energy efficiency improvements recommended in the audits. The statute also requires these contracts to involve a calculation by the IDOA on the amount to be saved in a 10-year period as a result of these improvements. In order to approve one of these contracts, IDOA must reasonably expect that the costs of the improvements will not exceed the savings realized within that 10-year period. IDOA reports that there are several energy cost savings contracts in place throughout the state including:

- (1) converting boilers from coal to gas at the Michigan City Prison;
- (2) making various heating, ventilating, air conditioning (HVAC), and lighting improvements at the Richmond State Hospital; and
- (3) making various HVAC and lighting improvements at the Indiana School for the Blind.

The IDOA reports that the energy audit costs involved in these contracts are not stated separately from the total cost of the audit and implementation of improvements. Therefore, the cost of the audit procedures involved in these contracts is currently indeterminable.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of Administration; Lieutenant Governor.

Local Agencies Affected:

Information Sources: Tom Coulter; IDOA, 317-232-3001; AccuTemp Comfort Systems (local energy management and conservation consultants); Center for Energy and the Environment, www.mncee.org; California Energy Commission Handbook, *How to Hire an Energy Auditor* (January 2000).

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